

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7829**

**BILL NUMBER:** HB 1567

**NOTE PREPARED:** Jan 19, 2003

**BILL AMENDED:**

**SUBJECT:** State Prescription Drug Buying Pool.

**FIRST AUTHOR:** Rep. Kersey

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X

**GENERAL  
DEDICATED  
FEDERAL**

X

**IMPACT:** State

**Summary of Legislation:** This bill requires the Office of the Secretary of Family and Social Services to establish, implement, and maintain a prescription drug purchasing program to negotiate the costs of prescription drugs for the following groups who may participate in the program: (1) a state agency that purchases prescription drugs or that arranges for the payment of the purchase of prescription drugs; (2) a local unit; or (3) a state educational institution. The bill specifies that if the State Personnel Department participates in the program, the self-insurance program or contract must provide for payment for prescription drugs purchased through the Prescription Drug Purchasing Program.

**Effective Date:** July 1, 2003.

**Explanation of State Expenditures:** This bill requires the Family and Social Services Administration (FSSA) to establish, implement, and maintain a prescription drug purchasing program for state agencies that purchase legend drugs directly or pay claims for the purchase of prescription drugs, for local units of government, for state universities, and for the State Personnel Department. FSSA is to negotiate the terms of purchase of prescription drugs for any of these entities that may choose to participate in the statewide purchasing pool.

The Family and Social Services Administration has not yet determined a fiscal estimate on the cost of implementing a drug purchasing program of this nature. Ultimately the cost of the program would be dependent upon administrative decisions; actions relating to any savings negotiated; and how each participating employer, state agency, or university would be assigned some portion of administrative expenses associated with claims processing or volume purchasing.

The bill requires that if the State Personnel Department participates in the statewide purchasing pool established by the bill, the state's self-insurance program administered by Anthem and any managed care contracts must provide for payment through the statewide purchasing pool. This could potentially have an impact on the capitated rates the state and employees pay for employee managed care contracts. Drug

formularies and volume sales are used within managed care plans to control costs: negotiating favorable prescription drug prices or rebates helps to cover the plan's overall costs. If this important mechanism is removed from the managed care vendors' control, capitated rates may be increased. The extent to which this would have an impact is not known at this time. This issue would also impact other employers that offer managed care as an option for health insurance coverage and the resulting number of covered employees available to participate in the statewide purchasing pool.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** Local units of government that choose to participate may realize cost savings in employee health care benefits.

**Explanation of Local Revenues:**

**State Agencies Affected:** Potentially all.

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Kathy Norris, 317-234-1360